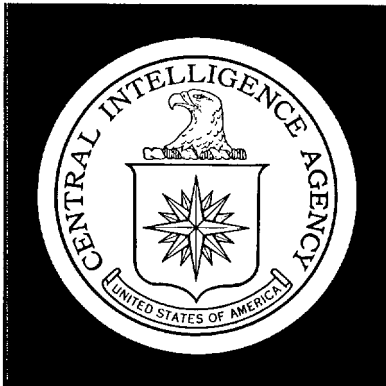


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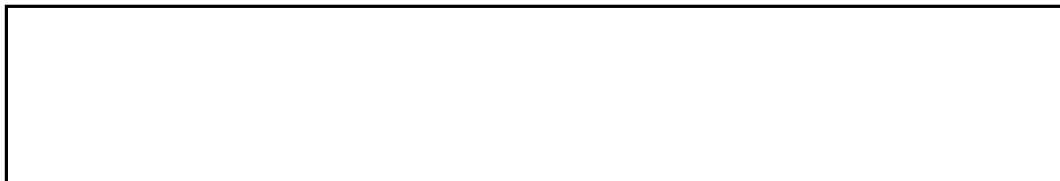
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JORDAN-SYRIA: The Jordanians are worried that the Syrian Government might permit troops of the Palestine Liberation Army (PLA) stationed in Syria to attack across the border.

Prime Minister Tal notified the US Embassy in Amman late Tuesday that he has information--its source unspecified--that President Asad will bow to Yasir Arafat's demands to unleash the PLA for an invasion of Jordan.

PLA strength in Syria is estimated at about 10,000--a number the Jordanian Army could easily handle provided no regular Syrian troops were involved. Continued fighting with fedayeen forces, however, would have grave political consequences; Arab propaganda attacks are already mounting now that the full extent of the commando defeat is becoming known. A PLA offensive generating renewed fighting could lead to such steps as Jordan's expulsion from the Arab League and the application of economic sanctions, making Jordan a virtual pariah in the Arab world.

The movement of Jordanian troops into the border area during last week's fighting seems to indicate that the Jordanians had this possibility in mind even then and were guarding against it. Such an action would run counter to the Asad government's previous policy of covert cooperation with Jordan in handling the fedayeen, but might offer certain attractions to the Syrians. Allowing PLA units to attack would refurbish Syria's pro-fedayeen credentials in the eyes of the Arab public and at the same time dispose of some of the troublesome PLA troops under the guns of the Jordanian Army. [REDACTED]

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MALTA: London and Valletta remain far apart on negotiating new terms for the UK's use of Maltese defense facilities.

British Defense Secretary Lord Carrington, returning to London yesterday after two days of talks with Prime Minister Mintoff, said that "on the present basis" he did "not see that a settlement is possible" and that Mintoff gave no sign of being flexible. Although he denied that the discussion had broken down, no date has been set for resumption.

The British deputy high commissioner in Valletta, who provided the US Embassy a rundown on the negotiations, said that the talks were cordial and informal in contrast with last week's heated polemics, but that Mintoff was asking a considerably larger financial payment for fewer facilities. Mintoff presented Carrington with various formulas offering specific rights and facilities for specific sums. The proposals even included the retention of the UK's veto power over third-country military use of Malta's airfields and harbors, provided London would pay for this privilege. Mintoff also said that the use of the island by British forces would be strictly defined--the Royal Navy would be limited to Grand Harbor, and the Royal Air Force would have to relinquish its base at Hall Far and retain facilities only at Luqa, Malta's principal airfield.

The deputy said Carrington made clear to Mintoff that the British interest in Malta was based on NATO interests and not on UK security needs. Carrington's statement upon his arrival in London that "the facilities we have in Malta can be provided elsewhere" underlines the UK's position that there is no "national justification" for an increased British payment to Valletta. Furthermore, the deputy high commissioner has reiterated that the UK will not pay more for fewer facilities and that if NATO wants to keep Malta it will have to help "pay the rent."

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PANAMA: The government is directing a propaganda offensive against the US in an effort to divert attention from the disappearance of a liberal priest.

For more than a month the regime, accused of kidnaping and killing Father Gallego, has been embarrassed by the adverse public reaction to the incident. Concerned by the church's accelerating efforts to mobilize popular support and by its continued refusal to accept a government whitewash, the Torrijos administration finally has decided to go on the offensive.

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[REDACTED] the media are alleging that there is a conspiracy by the oligarchy and "foreign imperialists" to undermine Panamanian unity during canal negotiations.

A number of incidents already have been distorted by the media. Commenting on a readiness exercise in the Canal Zone, for example, the press claimed that the appearance of US troops in "full battle dress" near a large secondary school was a provocation that would have caused a riot but for the timely intervention of the National Guard. Similarly, a spontaneous brawl between students of Panama's two largest secondary schools after a soccer game last Friday was interpreted by the press as part of a "desperate plan" by counterrevolutionaries and imperialists.

The government is currently suffering from a credibility gap and, in the short run, efforts to raise the level of anti-US sentiment and to impugn the patriotism of all who oppose the regime are likely to be seen for what they are--a not too subtle effort to ease domestic pressure. The canal issue is of overriding concern, however, and a sustained campaign would sharply increase the possibility of anti-US demonstrations that could get out of hand.

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PAKISTAN: US officials in Dacca in a recent assessment conclude that prospects for eventual success of the Bengali insurgency movement are steadily improving.

By early May, West Pakistani troops had crushed open Bengali resistance, but since then a guerrilla movement has grown rapidly. Insurgents have been able to disrupt the transportation system in the eastern part of the province, and communications are far from normal elsewhere; sabotage of the electric power system and the tea industry is continuing. The assassination of collaborators contributes to the government's lack of success in trying to organize political support.

The people generally support the guerrillas, in part because the army has given them no reasonable alternative. The insurgents so far have not organized local cadres or emphasized political indoctrination, but among the Bengalis--who voted overwhelmingly for provincial autonomy last December--such activity may not yet be necessary.

The Pakistan Army is spread too thinly to deal effectively with the insurgents and because of Indian pressure it has had to keep a large part of its force near the province's borders. The US Consulate speculates that continued casualties may lower army morale, but it notes that the army still may be able to develop tactics to deal with the insurgency.

Some leftist guerrilla groups are already active in East Pakistan, but the consulate believes that a radicalization of the current moderate leaders is more likely than their displacement.

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INDIA: Concern is mounting over the potential adverse economic impact of the refugees.

Finance Minister Chavan plans to ask Parliament for \$130-\$160 million for refugee relief in addition to the \$80 million already allocated in the current budget, [REDACTED]

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[REDACTED] So far, foreign aid for the refugees has amounted to about \$125 million, mainly from the US. If the request to Parliament is fulfilled, the total funds available from both domestic resources and foreign aid will be adequate for roughly six months' care for those refugees now in Indian camps.

No provision, however, apparently is being made for refugees living with friends or camping in the streets. Moreover, if, as seems likely, the influx continues and the refugees remain in India for more than six months, still more funds will be needed.

The foreign minister also is said to be concerned over recent price increases precipitated by the refugee situation. He reportedly intimated that additional price controls may be instituted. [REDACTED]

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CAMBODIA: Acting government head Sirik Matak has moved skillfully to improve the government's standing with its domestic critics, but he continues to be hampered by Prime Minister Lon Nol.

Matak and several key cabinet ministers recently met with National Assembly leaders to line up their support for the government's proposed economic stabilization program, which will soon be put before the legislature. Matak stressed the need to combat inflation by raising taxes, urged closer cooperation with Saigon and Bangkok to cut revenue losses resulting from smuggling, and indicated he would need the assembly's help in obtaining another advance from the National Bank to cover anticipated budget deficits. He also quieted the deputies' fears that Washington and Peking might reach an Indochina settlement that would be detrimental to Cambodia's interests.

The meeting was the first serious government effort to consult with the assembly in many months. It should help move the government's unpalatable economic program through the assembly by giving the deputies a sense of participation in the nation's affairs. It will also aid in dispelling the view that the assembly is held in low regard by the regime.

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CEYLON: The government apparently has decided to release most of the suspected insurgents now under detention.

In recent weeks, several demonstrations have occurred at the rehabilitation centers housing almost 14,000 insurgents. The government was aware that the large concentration of disaffected youth could provide the opportunity for future revolutionary planning, but was unable to disperse the detainee population into smaller groups because of the lack of an adequate security apparatus.

According to a statement by Home Minister Felix Bandaranaike, only about 300 of the detainees are likely to face charges of treason. Those only peripherally involved in the insurgency will be released, and any who possessed weapons when captured will be charged with violating the firearms law. The government is probably aware of the risks in releasing some activists who may organize another resistance, but it must have concluded it has no chance but to free most of the detainees under some form of parole.

Some insurgents have already been released because of pressure from politicians. Although the origins of the insurgency remain obscure, the action of these politicians lends some credibility to theories that certain high government officials had contact with the insurgents and that a few of these officials may even have participated in the direction of the operation. The highest ranking insurgent detainee, Rohan Wijeweera, apprehended before the insurgency erupted, is regarded by many as subordinate to an as-yet unidentified higher authority.

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CYPRUS: The possibility of an intercommunal clash on the island is increasing, and the situation could become critical.

President Makarios recently delivered a fiery speech in a village east of Nicosia where the Turkish Cypriots were allegedly restricting the movement of Greek Cypriot farmers to their fields near Turkish Cypriot enclaves. Makarios told a large gathering that this Turkish Cypriot action created an unacceptable situation, and that the government might have to use force to protect the farmers' rights. Makarios' tough line may have reflected Greek Cypriot information that Turkish Cypriots have set up a training camp in northern Cyprus, where local fighters are being reinforced and trained by Turkish officers.

Any clash at this time would endanger the improved relations between Greece and Turkey and threaten the next meeting of the intercommunal talks scheduled for 26 July.

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BRAZIL: The Medici government is trying to secure continued US participation in the International Coffee Agreement (ICA).

Although it has not issued any formal statement on the subject, Brazil now has stopped selling green coffee to US soluble (instant) coffee producers. The Brazilians almost certainly hope that the industry will press the US Congress to hasten passage of legislation that will authorize continued participation in the ICA so that Brazil will resume its sales.

At the same time, Brazil is attempting to persuade other coffee-producing countries, particularly in Africa, that the US delay in approving the ICA measure is a retaliatory move for Brazil's claim of a 200-mile territorial sea and that the US action could adversely affect all coffee producers. The Brazilians hope that the coffee-producing countries will accept the position that the territorial-seas issue should not be linked to the coffee question and that the governments will urge the US to approve the ICA measure quickly.

Brazilian officials have told US authorities they believe that resolution of the ICA question is increasingly urgent in order to avoid a possible breakdown of the ICA at the meeting of the council of the International Coffee Organization scheduled for next month in London.

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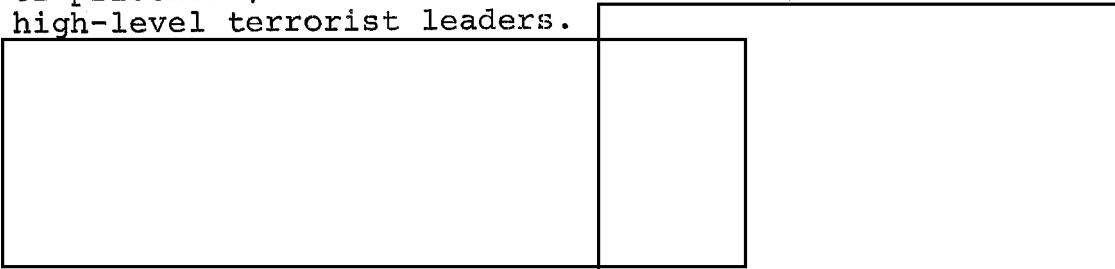
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ARGENTINA: The government's counterterrorist operations have had some success, but its extra-legal methods may backfire politically.

Acting on leads obtained from the interrogation of prisoners, authorities have rounded up several high-level terrorist leaders.



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The leftist press has attacked these irregularities and has given considerable publicity to charges of government involvement in the kidnaping and murder. The Interior Ministry has promised an investigation, although police officials have publicly denied any involvement in the incident.

The success of the government's operations in recent weeks will probably quiet military criticism of President Lanusse's handling of the growing terrorist problem. The publicity being given to the government's alleged "death-squad tactics," however, is likely to hamper Lanusse's effort to obtain a broad "national accord" to facilitate the return to constitutional government.

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